



The Life Financial Group, Inc.

978 Ben Franklin Hwy. (Route 422 east) Douglassville, PA 19518

(610) 385-4500

FAX (610) 385-6868

(800) 688-5800

Wealth Management from a Biblical World View since 1978

www.TheLIFEGroup.org

Roy L. Russell and Doug Floro, Certified Financial Planners
J Jeremy Ehst, Timothy Russell and Mark Magruder, Advisors



Coverdell Savings: Plan for Curves Ahead



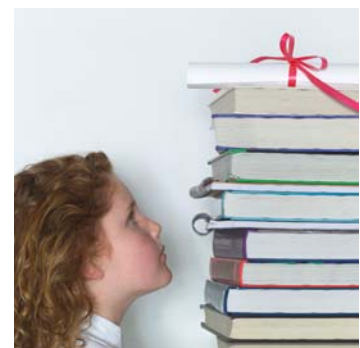
They say that there are only two things certain in life: death and taxes. I think we could add change to the list. In 2002, congress enacted the "Bush Tax Cuts" into law. As part of those changes Coverdell savings accounts were greatly improved. With these improvements came sunset date. Starting in 2011, the rules will change as it relates to Coverdell. Unless congress acts soon we could see significant changes ahead.

Coverdell Changes for 2011 (if congress does nothing)

- **Reduced Contributions Limits:** from \$2,000 to \$500 a year.
- **Restricted Qualifying Expenses:** Only college-related expenses will be considered qualified spending. You will no longer be able to use the Coverdell account to pay for kindergarten through 12th grade related expenses (homeschooling and private/Christian schooling).
- **Changes in tax laws** such as claiming Hope and Lifetime Learning Credits the same year as a tax-free Coverdell distribution will not be allowable. Both credits are available to married taxpayers with income below \$96,000 and phase out as income exceeds \$116,000 in 2009. Under the Hope Credit, you can claim the first \$1,200 of qualified educational expenses and 50 percent of the next \$1,200. The Lifetime Learning Credit takes the form of a \$2,000 credit for qualified expenses.

3 Options for Parents and Grandparents

- **Leave It:** Leave Coverdell funds in place.
- **Spend It:** Be proactive prepay any K-12 private school or related expenses before December 31, 2010.
- **Roll It:** Roll the funds over into a 529 plan, penalty-free, providing the accounts have the same beneficiary.



Comparing Coverdell and 529 Plans

The main advantage that Coverdell has compared to the 529's is its flexibility in terms of investment choice. Coverdell funds can be set up with savings accounts, certificate of deposits, mutual funds, stocks or bonds with the ability to change investment options as often as you like. The 529 plans are to a state specific plan that allows parents to contribute \$13,000 per child per year. However, the investment choices are limited and parents are only allowed to change investment allocations once a year.

If you have a Coverdell and need to discuss your options or if you would like to begin saving for college expenses, please call one of our advisors. They can help you by review your options and help to implement a winning strategy.

www.TheLifeGroup.org

(800) 688-5800

